453 366 that transformation. A final merger of all branches into a single joint state-private bank occurred in December 1952.

Eliminating the old banking structure in Shansi Province was a much simpler and swifter process. The Communists took over the Shansi Provincial Bank and confiscated the few commercial banks, giving as reason that their capital was owned by "reactionaries." The native banks were forced out at about the same time by requiring them to increase their capital.

457 Foreign banks had operated in only two cities in North China, Tientsin and Peking. Early in the Communist regime, they had the illusion that they might be of service by providing export-financing facilities, thus greatly contributing to the attainment of the Communist goal of increased exports so essential to the economic life of North China. But these banks found themselves without functions as soon as foreign exchange operations were concentrated in the Bank of China. Foreign trade business gradually became a monopoly ofthe government trading organizations. Beginning late in 1951, the foreign banks separately applied for approval to withdraw from China. Though some of them had not received such approval as late as 1954, all foreign banks discontinued operations before the end of 1951.

453 Accordingly, the elimination of the old banking structure in North China was virtually com-

652 Under each branch office there are sub-branch offices in counties, cities, and thriving towns. Sub-branch offices located at key communication centers or points of political importance are designated as "central sub-branch offices"; they are entrusted with the duty of looking after a few sub-branch offices in their vicinity. The designation of central sub-branch office may be withdrawn whenever the special reasons for it cease to exist.

A layer of subordinate offices called agencies, sub-agencies, and stations is set up on main thoroughfares in big cities such as Peking and Tientsin, in villages, and within schools, factories, and on military posts. These offices handle deposits, remittances, and rural credits.

It is reported that in Hopei and Shansi provinces there are about 2,000 offices at all levels, including about 200 sub-branches and more than ten central sub-branches.

III. THE BANK OF CHINA

457 The Bank of China, established as a central bank in 1912, was reorganized in 1928 as a special institution for dealing with foreign trade. It had branches throughout the country, and 19 branches abroad. Its Tientsin branch office had developed into a strong organization, its standing and resources having surpassed other Chinese banks in North China. When on April 7, 1949, the Communist authority in Tientsin promulgated

457 foreign exchange regulations, the Tientsin branch of the Bank of China was appointed by the People's Bank as the authorized bank to handle foreign exchange in China and abroad. On December 22, 1949, the Communist government appointed directors representing the government share, which was one-half of the capital, and recognized the directors representing private shares. In order to "strengthen guidance and supervision, and promote business," the director-general of the People's Bank was made concurrently Chairman of the Board of the Bank of China, and the latter's general manager was appointed by the government. Thus, while the continuance of the Bank of China's old status was reaffirmed, it became virtually a subsidiary of the People's Bank. Its functions are as follows:[3] (a) the administration of the control of foreign exchange; (b) the handling of foreign exchange, securities, bills of exchange and other commercial documents payable or receivable in foreign exchange; (c) the extension of credits, and acceptance of deposits in connection with foreign trade; (d) the supervision of the accounts and clearings of foreign trade conducted by and through government organizations; and (e) the control of overseas remittances.

Branches of the Bank of China may engage in banking transactions other than foreign exchange

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3. Ching-chi Chou-pao [Economic Weekly] , Shanghai, No. 31.

457 as directed by the People's Bank and may act for the latter's account.

The Bank of China formerly had a main branch in Tientsin, five sub-branches in Hopei and four in Shansi, and twelve city agencies in Tientsin and Peking. At present, the bank only has two offices in North China, the Peking head office and the Tientsin branch. The Peking office also manages an overseas Chinese banking-service station.

Of the 19 overseas branches of the Bank of China, 11 are located in countries which have recognized the Communist government, and these offices are now under the control of the Peking head office. They are the branches in Hong Kong, London, Singapore, Penang, Kuala Lumpur, Calcutta, Bombay, Karachi, Chittagong, Rangoon, and Djakarta. These branches have not only surrendered a good amount of foreign currencies to the Communist regime, but have provided personnel experienced in handling foreign transactions.

How carefully the Communists had devised a financial plan, based on carefully documented information gathered before they took control, is eloquently demonstrated by their swift action in appointing the Tientsin branch of the Bank of China as a government agency to handle foreign exchange transactions.